

Message Text

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PAGE 01 STATE 001880

72

ORIGIN SCI-03

INFO OCT-01 SS-14 ISO-00 H-01 EA-13 AEC-05 PM-03 NSC-10

NSCE-00 ACDA-10 CIAE-00 INR-10 NSAE-00 RSC-01 EB-03

SCEM-01 TRSE-00 /075 R

66610

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E/A/J-R ADANKERT

EA/ANP-H LANGE

AEC - D HOYLE

DISTRIBUTION: NONE INDICATED

----- 035882

P 042228Z JAN 74

FM SECSTATE WASHDC

TO AMEMBASSY CANBERRA PRIORITY

INFO AMEMBASSY TOKYO PRIORITY

C O N F I D E N T I A L STATE 001880

LIMDIS

C O R R E C T E D C O P Y (PARA 1 LINE 14 WRONG)

E.O. 11652: GDS

TAGS: TECH, ENRG, AS

SUBJ: CODEL HOSMER'S VISIT: URANIUM ENRICHMENT

REF: CANBERRA 0045

1. AS EMBASSY ANTICIPATES, SUBJECT OF URANIUM ENRICHMENT
LIKELY TO COME UP DURING REP. HOSMER'S VISIT. HOSMER
HAS TAKEN MORE INTEREST IN SUBJECT OF ENRICHMENT THAN
OTHER MEMBERS OF JCAE AND HAS PROPOSED MEANS FOR MEETING
US ENRICHMENT NEEDS THAT RUN COUNTER TO THE PLANNING OF
SOME OTHERS. IN THIS CASE HE HAS SUGGESTED THAT A US
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PAGE 02 STATE 001880

ENRICHMENT CORPORATION (USEC) BE FORMED, WHICH WOULD

OPERATE EXISTING USG DIFFUSION PLANTS AND WOULD BUILD AND OPERATE ANY ADDITIONAL CENTRIFUGE PLANTS NEEDED IN SHORT-TERM FUTURE. USEC WOULD BE A TVA-LIKE AGENCY OPERATING ON REVENUES FROM SALE OF BONDS AND SEPARATIVE WORK. AT TIME PRIVATE INDUSTRY ABLE TO MAKE COMMITMENT TO BUILD PRIVATELY OWNED PLANT, USEC WOULD TURN OVER ITS CONTRACTS TO NEW PRIVATE PLANT ON "LAST-IN, FIRST-OUT" BASIS. THIS CONCEPT IS DESIGNED TO SMOOTH TRANSITION FROM PUBLIC TO PRIVATE OPERATION OF ENRICHMENT PLANTS. HOWEVER, IT IS NOT ACCEPTABLE TO USG ADMINISTRATION, WHICH HAS POLICY OF RELYING COMPLETELY ON PRIVATE INDUSTRY TO PROVIDE ANY EXPANSION IN ENRICHMENT CAPACITY NEEDED BY THE US. HOSMER PROPOSAL HAS NOT BEEN RECEIVED ENTHUSIASTICALLY BY IMPORTANT SEGMENTS OF US PRIVATE INDUSTRY

EITHER, SINCE IT COULD ACT TO DELAY ENTRY OF PRIVATE COMPANIES INTO FIELD. CONSUMING PART OF INDUSTRY MORE INCLINED TO GO WITH HOSMER PLAN.

2. WITH RESPECT TO HOSMER'S VIEWS ON BUILDING ENRICHMENT PLANT OUTSIDE US, WE BELIEVE, BUT CANNOT PREDICT WITH CERTAINTY, THAT HE WILL TAKE POSITION THAT WHILE HE UNDERSTANDS NEED FOR INDEPENDENT SOURCE OF SUPPLY BY SOME COUNTRIES, HE ALSO FEELS THAT US IS RELIABLE SUPPLIER AND THAT USG SHOULD NOT TAKE STEPS WHICH ACT TO REDUCE US SALES OF ENRICHMENT SERVICES TO OTHER COUNTRIES. THESE REDUCTIONS WOULD HAVE ADVERSE EFFECT ON US BALANCE OF TRADE POSITION, FOR EXAMPLE. THUS HOSMER MIGHT BE NEGATIVELY INCLINED TOWARD AUSTRALIAN ENRICHMENT PLANT, SINCE AUSTRALIA WILL NOT BE CONSUMER OF ENRICHMENT SERVICES FOR SOME TIME TO COME AND WOULD THEREFORE BECOME DIRECT COMPETITOR TO US IN SELLING SERVICES TO OTHER COUNTRIES (AND EVEN PERHAPS TO US ITSELF).

3. HOSMER MAY ALLUDE TO THIS BY POINTING OUT THAT IF ALL PLANS IN FOREIGN COUNTRIES MATERIALIZE, INCLUDING THOSE OF EURODIF AND URENCO, THERE MAY BE OVERSUPPLY OF SERVICES IN EARLY 1980'S, AND THAT AUSTRALIA MIGHT WELL WANT TO "WAIT AND SEE" BEFORE UNDERTAKING A HEAVY COMMIT-

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PAGE 03 STATE 001880

MENT AT THIS TIME.

4. HOSMER MAY ALSO STATE HIS VIEW AGAIN THAT THE NEXT PLANT TO BE BUILT IN THE US (AND MAYBE IN EUROPE) WILL USE GAS CENTRIFUGE PROCESS, AND THAT IT WOULD BE IMPRUDENT FOR AUSTRALIA TO CONSIDER BUILDING PLANT BASED ON GASEOUS DIFFUSION TECHNOLOGY, THEREBY SUPPORTING MIN. CONNOR'S POSITION. EMBASSY SHOULD BEAR IN MIND THAT US OFFER TO

DISCUSS COOPERATION IN ENRICHMENT TECHNOLOGY, WHICH IS STILL IN EFFECT, IS LIMITED TO GASEOUS DIFFUSION PROCESS AND TO MULTINATIONAL PARTICIPATION. BOTH CONDITIONS APPEAR TO CONFLICT WITH CONNOR'S STANCE.

5. EMBASSY REQUEST FOR SUGGESTIONS ON HOW HOSMER VISIT MIGHT BE USED TO US ADVANTAGE IN OBTAINING FULLER CO-OPERATION BETWEEN GOVERNMENTS IS MOST DIFFICULT TO RESPOND TO, SINCE HOSMER VIEWS ON ENRICHMENT, AT LEAST IN PART, RUN CONTRARY TO ADMINISTRATION AND DEPARTMENT POSITIONS. YOU MIGHT MENTION THAT AEC HAS PROPOSED (WITH ADMINISTRATION SUPPORT) PHASED LIFTING OF US EMBARGO ON IMPORTATION OF URANIUM FROM OTHER COUNTRIES, BEGINNING IN 1977 AND COMPLETED BY 1983. THUS US WILL BE IN POSITION TO BE PURCHASER OF URANIUM FROM AUSTRALIA, IF GOA WILLING TO PERMIT SALES. ALSO, WE ARE INTERESTED IN EXPLORING INCREASED COOPERATION IN NON-NUCLEAR ENERGY

R&D, E.G., SOLAR, GEOTHERMAL. ON THIS SUBJECT, SEPTTEL WILL ANSWER CANBERRA 06781. HOWEVER, HOSMER NOT KNOWN FOR INTEREST IN NON-NUCLEAR ENERGY R&D. KISSINGER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: URANIUM, ENERGY, NUCLEAR ENERGY, RESEARCH, NUCLEAR COOPERATION PROGRAMS, INDUSTRIAL PLANTS, CODELS, PEACEFUL USES OF ATOMIC ENERGY
Control Number: n/a
Copy: SINGLE
Draft Date: 04 JAN 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE001880
Document Source: CORE
Document Unique ID: 00
Drafter: SCI/AE:JLBLOOM:DRW
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740161/aaaacfop.tel
Line Count: 136
Locator: TEXT ON-LINE
Office: ORIGIN SCI
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: CANBERRA 0045
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 JUL 2002 by shawdg>; APPROVED <09 JUL 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CODEL HOSMER'S VISIT: URANIUM ENRICHMENT
TAGS: TECH, ENRG, AS, US, (HOSMER)
To: CANBERRA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005